

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Date: September 12, 2003

Memorandum To: County of Fauquier, Virginia

From: Robinson, Farmer, Cox Associates

Regarding: FY 02-03 Audit

In planning and performing our fieldwork as part of the audit of the financial statements of the County of Fauquier, Virginia for the fiscal year ended June 30, 2003, we considered the County's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated September 12, 2003 on the financial statements of the County of Fauquier, Virginia. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We do not believe that the following matters are material weaknesses in the internal control structure or reportable conditions; however, they are noted here primarily for your information and consideration.

We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations and request your reply to corrective action initiated.

Parks and Recreation

- During the course of our audit we have observed the excessive number of departments and line items maintained in the County's financial accounting system for revenues and expenditures in the Parks and Recreation Fund. The original budget for parks and recreation totals \$1,642,687 and consists of 17.7 full time equivalent personnel and is broken down into seven programs. The accounting system contains nine pages of detailed revenues and one hundred twenty-five departments containing twenty-seven pages of expenditures. In comparison the County's General Fund which has an original budget of \$96,296,744 is recorded in detail in less than ten pages for revenues and thirty-eight pages for expenditures. We believe details supporting revenues and expenditures in this fund are too detailed and recommend they be drastically reduced to provide management with information that would be more meaningful to compare with actual results.

Capital Assets

- GASB 34 financial reporting requires the County to capitalize and depreciate capital assets, which is an extremely detailed task for local governments. We recommend the draft accounting policies and procedures manual for capital assets be revamped to assist users in defining what a capital asset is and to assist in determining what expenditures should be capitalized. The manual should specify the required work to be performed on a monthly or quarterly basis and at year end in addition to the procedures to be employed by various staff including accounts payable clerks, accounts payable supervisors, and by the accountants who reconcile the various general ledger

Capital Assets (continued)

accounts. The manual should specify what kinds of reconciliations are required in various expenditure accounts as well as those to be employed in the Capital Improvement Fund. We believe a detailed manual, along with proper training will help assure the financial statements are updated in a clear, concise and efficient manner.

Canteen Operations

- During the course of our audit we noted telephone commissions from the inmate phone system were being deposited to the canteen bank account, which is under the control of the Sheriff. Most localities in the Commonwealth deposit telephone commissions into the County's General Fund. We recommend the Sheriff begin depositing these funds into the County's General Fund to help offset costs of operating the jails.
- Also, during our audit of the canteen accounts we noted the purchase of a large van, a Crown Victoria, and a Print Live-Scan System. These capital items normally are apart of the General Fund's budget and we recommend the County insure all capital purchases are subject to budgetary controls.

Computer Controls

- We recommend the County develop a disaster recovery / contingency plan for its various operating systems. Such a plan would help recovery from data loss, hardware failure, and other potential problems more quickly in the event of a disaster. The plan should include procedures necessary for restoration of backup data. The plan will also help the County forecast potential problems and proactively plan around them rather than having to react to any situation that arises.
- We recommend the Department implement procedures to set the system to automatically prompt password renewal at regular intervals i.e. 90 days. This will keep passwords new and will prevent possible unauthorized access.

Repeat Comment

- We recommend the County implement a comprehensive policy and procedures manual to strengthen internal controls. This manual should encompass such issues as documentation of individual job responsibilities and descriptions to support various personnel functions interdepartmentally and within the finance department. Cross-training of personnel should be implemented to ensure continuous and uninterrupted operational support. Further, an accounting policy and procedures manual should be developed to aid in defining all accounting functions within the accounting system. Adequate professional and clerical staff support should be reviewed on a periodic basis to assure the timeliness of recording, reconciling, summarizing, analyzing and interpreting financial transactions. The quality of the County's professional staff should be knowledgeable in all phases of the accounting system. All of these suggestions are core requirements of a good system of internal accounting control.